School of Accountancy

The Impact of Events on Annual Reporting Disclosures

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Discussion Paper Series 214

February 2003

MASSEY UNIVERSITY

SCHOOL OF ACCOUNTANCY

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The Impact of Events on Annual Reporting Disclosures

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ISSN 1175-2874 Date: 14 February 2003

THE IMPACT OF EVENTS ON ANNUAL REPORTING DISCLOSURES

ABSTRACT

Burchell, Club and Hopwood (1985) considered that "little is known of how...wider social forces can impinge upon and change accounting" (p.382). This study identifies six political forces that may have instigated changes in accounting practice and annual reporting of a New Zealand electricity entity. Based on the literature (Hopwood, 1983, 1990; Napier, 1989; Gray and Haslam, 1990; Thomson, 1993) it is expected that significant changes in the environment in which the entity operates will effect changes in reporting. The study compares the annual report disclosures of an Electricity Supply Authority on a yearly basis from 1970 to 2001 - a 18 year period with little significant environmental impact in the electricity industry with a period of intense activity in the following 14 years. The study found considerable evidence that the change from a local body accountable to electors/consumers to a public company accountable to shareholders, led to a greater emphasis on profits and earnings per share as a means of measuring performance. It identifies specific changes in accounting practice that support this view as well as a period of "big bath" accounting, decreasing disclosure of commercially sensitive information, and the increasing use of dramatic presentation in the annual report.

Key words: disclosure, electricity, environment

Acknowledgements:

The author acknowledges the helpful comments received from the reviewers of the Massey University Discussion Series and other comments from colleagues. The author appreciates the support of UnitedNetworks Ltd in providing access to library copies of all annual reports from 1970-2001.

The Impact of Events on Annual Reporting Disclosures

INTRODUCTION AND ANALYTICAL FRAMEWORK

Carnegie (1993) recognised that environmental factors are important in explaining both contemporary and historical accounting practice. This research is based on that premise and examines six significant events in the life of New Zealand electricity supply authorities (ESAs) and relates those events to annual reporting by New Zealand's largest electricity network company over that period. The research is based on an assumption that management is concerned with the content of the financial reports, as they are considered to be one of the main means of communicating financial information about the company to third parties and are fundamental to discharging accountability to stakeholders (Walker, 1988). Gray and Haslam (1990) posited that one might expect to see changes in reporting practice during periods in which an organisation faces environmental stress and uncertainty. On this basis, significant changes in the environment in which the electricity entity operates are expected to effect changes in annual report disclosures.

This study contributes to the literature on accounting change and accounting within a specific organisational setting. It provides insight into how and why external reporting may have evolved in an organisation and enhances our understanding of the development of a corporate entity within its social and economic setting. To achieve this, the study draws on contextual change by identifying factors in the environment that could influence change and determining their effect on annual reporting. Hopwood (1983, 1990); Burchell, Club and Hopwood (1985), and Napier (1989), emphasize that accounting is influenced by the context in which it operates and Burchell et al. (1985) note that "little is known of how ... wider social forces can impinge upon and change accounting" (p.382). Similarly, Gilling (1976) notes that environmental demands lead to changes in accounting practice.

The theoretical perspective on change that frames the study is similar to that used by Bhimani (1993) who, in his study of Renault, concentrates on external forces affecting accounting practice. Bhimani concludes that rather than being progressive, accounting change stems from definite causes. Although he acknowledges that accounting change is partly the result of managers exercising choices (see Watts and Zimmerman, 1986), he considers that the basis of choice is grounded in sociohistorical circumstances. This study focuses on the political forces that may have influenced disclosure practice and shows how a change in the environment, in ownership and therefore in orientation may have caused the resulting changes in annual reporting of one electricity utility. The study is also similar to that of Gray and Haslam (1990) who examined the effect that the changing environment had on the external reporting of United Kingdom universities from 1983-1987. However the current study covers a period of 32 years, identifies a number of key events and examines the effects of those on annual reporting. Gray and Haslam use a framework which incorporates three elements: the reporting organisation, an information output (for example, the annual report), and the "substantial environment" in which the organisation operates (p.53). Their framework is used in this study as a basis for examining the information output, in this case the annual reports, of a reporting entity and considering the motivation for change as a result of changes in the "substantial environment". The reporting entity studied is Waitemata Electric Power Board which, through a series of mergers and acquisitions, became the dominant partner in Power New Zealand Ltd, and more recently UnitedNetworks Ltd.

Various theoretical approaches have emphasised the organisation's ability to influence its environment by means of external reporting strategies (for example Tinker and Lowe, 1980; Watts and Zimmerman, 1986, 1990; Gray, Meek and Roberts, 1995). The current analysis is based on the reverse assumption that environmental forces can influence accounting and annual reporting disclosures although it is acknowledged that organisational control may have influenced the annual reporting of the electricity entity examined in this study. The essential aim is to answer the question: How did external events influence the changes in the annual report disclosure practices of the Waitemata Electric Power Board[1] over the period reviewed?

It is significant that Thomson (1993) found that over the period of privatisation of the UK Electricity Boards, the presentation of financial and other information in the accounts changed. She refers particularly to a switch from current cost to historic cost accounting but also notes the loss of supplementary information such as performance indicators. Corporatisation of the electricity entities came hand-in-hand with the removal of franchise areas and the development of competition in the industry. A number of researchers have studied the impact of competition on the incentives for firms to disclose information (for example, Verrecchia, 1983, 1990; Dye, 1985; Craswell and Taylor, 1992; Clinch and Verrecchia, 1997). Thomson's (1993) findings of reduced information disclosure are consistent with those of Clinch and Verrecchia (1997) which show that increased competition leads to less disclosure as proprietary costs increase.

The present study uses both narrative/descriptive and interpretational/analytical research. Previts, Parker and Coffman (1990a, 1990b) state that narrative research aims to describe items of fact while interpretational research focuses on relationships. The narrative component of this research provides the context within which the significant events are set. It describes what the annual reporting of one electricity utility looked like and how that reporting changed over the period of the study. The interpretational aspect seeks to relate the changes in annual reporting to the external events occurring at the time in an attempt to explain the observed changes. The aim then is to "shed a little descriptive and analytical light" (Burchell et al., 1985, p.390) on the rationale for change in accounting and reporting practice. After explaining the method of conducting the research, the paper identifies the significant events that occurred during the period of the study. This is followed by a description and analysis of the annual reporting changes from 1970-2001 and an analysis of performance indicators over that period. Finally some conclusions are drawn.

METHOD

This longitudinal case study involves a comparative analysis of the contents of annual reports. Throughout the period of analysis, the annual report has been the most comprehensive of the communication channels between the entity and its stakeholders. The study begins in 1970, eighteen years prior to the commencement of the reforms of the electricity industry. The intention is to determine whether there were changes in annual reporting over this period when there were no impacting changes in the environment in which the entity operated compared to whether there were changes in the 1988-2001 period when there were a number of significant events that may have impacted on annual reporting disclosures. The empirical analysis involves a content analysis of each annual report beginning with the financial year ended in 1970. This report is compared with the contents of the 1971 report which is then compared with the 1972 report and so on.

Merino, Koch and MacRitchie (1987) note the importance of events studies that test the impact of historical phenomenon. They stress the need for a chronological analysis of the antecedent conditions to provide insight into the environment surrounding the identified critical event(s). The next section provides that analysis.

CHRONOLOGICAL STUDY OF SIGNIFICANT EVENTS

Changes in the New Zealand electricity industry are part of an ongoing platform of economic reform instituted by the 1984-1990 Labour Government. These economic reforms have been characterized by government divestment of so called "trading" enterprises. This is part of an international trend where governments have passed control of airlines, railways, telecommunications, water supply, airports and ports to the corporate sector. Prior to the commencement of these reforms the electricity industry was made up of two components:

- The generation and transmission of electricity on a national basis, controlled by central government through the NZ Electricity Department. Transmission refers to the national high voltage distribution of electricity to local low voltage networks.
- The distribution and retail (supply) of electricity to end consumers in each regional franchise area, controlled by Electric Power Boards or Municipal Electricity Departments.

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[1] Waitemata Electric Power Board had a number of name changes over the period of the study: Waitemata Electric Power Board, Waitemata Electricity, Power New Zealand Ltd, UnitedNetworks Ltd (see figure 1).

Distribution is the transfer of electricity from grid supply points to consumers by means of a lines network. Retail is the wholesale purchase of electricity and its sale to consumers.

When the reform process began Waitemata Electric Power Board was an integrated electricity distribution and retail entity and in 1985 was one of 61 electric power boards and municipal electricity departments (commonly referred to as Electricity Supply Authorities (ESAs)) which each had an exclusive franchise to distribute electricity in a designated area. The Power Boards were managed by Board members who were elected triennially by voters registered on local body rolls. Municipal electricity departments were owned and operated by the local city or borough council and supplied electricity to premises in their area. The ESAs reported to electors, most capital works were funded from current revenue or retained earnings and any loans raised were guaranteed by the Government.

Since 1988 six events have had the potential to influence the annual reporting of electricity entities:

Event 1: 1987 The requirement for ESAs to pay income tax

Event 2: 1990 Elected governance boards replaced by Government appointed Board of Directors

Event 3: 1992 The Energy Companies Act 1992 required electricity entities to be corporatised.

Event 4: 1994 Electricity (Information Disclosure) Regulations

Event 5: 1998 Electricity Reform Act required ESAs to divest one of their business activities.

Event 6: 2000 Ministerial Inquiry into the electricity industry

Event 1: ESAs are required to pay income tax

In May 1986, the Government announced that from 1 April 1987, the tax exempt status of electricity utilities would end. From that date earnings were subject to the corporate income tax rate of 48 percent. This may have provided incentives for management to manipulate earnings in order to minimise taxes. In a study which investigated the impact of taxation on earnings management, Marsden and Wong (1998) found that two components of earnings: operations and maintenance expenses, and administration/general expenses, increased in the first year that income tax was charged. This could be due to changes in accounting policies or to the carry forward of expenses from the final tax-free year. Waitemata Electric Power Board reported that since the tax rate changed from zero to 48 percent, the entity "has conducted its financial affairs in order to minimise taxation" (Annual Report, 1991, p.4).

Event Impact: Accounting policies may have changed in response to the tax regime.

Event 2: Elected governance boards replaced

Prior to the restructuring of the industry, ESAs were ultimately responsible to electors who were, in the main, domestic electricity consumers. The over-riding concern was to provide this group with an acceptable level of service at a low price. In May 1990, the Government announced that ESAs would be corporatised. The Electric Power Boards Amendment Act 1990 resulted in the removal of elected board members and the election process. Board members were replaced by Government-appointed interim directors whose mandate was to improve commercial performance and introduce commercial disciplines. They were responsible for moving each organisation into a corporate structure. The interim directors were charged with defining who the owners of the new companies would be and by 1992 the Energy Companies Act provided for the issuing of shares to those owners.

Event Impact: A new board of directors accountable for business operations rather than accountable to electors may have instigated changes in annual reporting.

Event 3: Energy Companies Act 1992 requires corporatisation

The Electricity Companies Act 1992 required the corporatisation of the ESAs. As a result of corporatisation, ownership structures became a mix of local authority, trust, and private ownership. In some cases free shares were issued to customers in the ESA's previous franchise area.[2] Control of the industry therefore changed from Boards elected at local body elections, to directors initially appointed by Government and later appointed by shareholders. This resulted in a change in objective from presenting information to management and creditors to providing information to investors and stakeholders. As a result, financial reporting began to focus on meeting the needs of capital markets. An emphasis on profit maximisation replaced the "old" cost-plus pricing of the Electric Power Board era as companies sought to ensure that shareholders and lenders were rewarded with a competitive return on their investment and an increase in shareholder wealth commensurate with the level of risk involved. The entities had not previously competed in the open market for funds. Now the managers of the new corporations needed to ensure an adequate supply of long term capital so they were concerned that their companies be promoted as attractive options for both equity and debt financing. In commenting on companies preparing for privatisation, Hyman (1986) noted that "the company's performance is related to bottom-line profit … and the achievement of these profits will be important in maintaining the company's share price in the market and its ability to raise funds in the future" (p.136). As designated franchise areas were removed, so was the onus to supply all customers in a franchise area. A requirement was placed on each owner of an electricity distribution network to allow other organisations to use the network to get electricity from one area to another. A competitive element was thus introduced into the industry.

[2] The Electricity Act 1992 resulted in the removal, over time, of franchise areas and the onus to supply all customers within a supply area.

In the case of the Waitemata Electric Power Board, the corporatisation process continued over three years culminating in an amalgamation with another ESA (Thames Valley) and a name change to Power New Zealand Ltd. Free shares were issued to customers in the previous franchise areas. An American company, Utilicorp, became the cornerstone shareholder by subscribing for new capital that was issued.

Prior to corporatisation, the Government was the major stakeholder in the electricity industry and consumers/electors were represented by local body authorities. The Energy Companies Act 1992 introduced a new group of stakeholders - shareholders. It is possible that accounting may have changed to meet the demands of this new group as Hooks (1995) identified that the objective of electricity companies had changed from providing a secure service at minimum cost to maximising profits. Conversely, economic theory suggests that managers, who are agents for the shareholders, may not always act in the best interest of shareholders (Wong, 1988). A number of studies of accounting disclosures have been based on the positivist framework of Watts and Zimmerman (1986) which posits that managers will choose the accounting policies which promote their own best interests. It is possible that commercially-oriented managers may have had performance-based incentives dependent on accounting measures of performance, for example, earnings. Opportunistic behaviour may have influenced accounting procedures and reporting.

Event Impact: The new commercial focus, new ownership structure, new stakeholders, a competitive environment and emphasis on profit maximisation may have caused annual reporting changes.

Event 4: Electricity (Information Disclosure) Regulations 1994

The industry is controlled by “light-handed” regulation which relies on the provisions of the Commerce Act 1986 to prohibit anti-competitive behaviour and is supported by regulations which require extensive disclosure of information on the operation of electricity entity activities. In 1994 the Electricity (Information Disclosure) Regulations were passed imposing additional reporting requirements on ESAs. The regulations required electricity companies to publicly disclose specific information and to account separately for their distribution (network) activities and their retail activities.[3] This latter requirement was imposed because of a concern that the business activities of the integrated electricity companies (distribution and retail) were being cross-subsidised. In addition, assets were required to be valued at optimised deprival value (ODV)[4]. ODV is only compulsory for performance measurement

[3] These are separate disclosures from the annual report and are made to the Ministry of Economic Development (previously the Ministry of Commerce).

[4] Optimised Deprival Value is the lesser of Optimised Depreciated Replacement Cost or Economic Value on a discounted cash flow basis (such being the greater of value in use or disposal value). It

purposes and does not necessarily form part of the company's normal accounts. Companies were also required to disclose five specific financial performance measures: accounting return on total assets, accounting return on equity, accounting rate of profit/return on investment, direct line costs per km, non-direct line costs per customer. Craig and Diga (1998) suggested that such regulation may cause companies to disclose less in general purpose reports because of related disclosure in other forms.

Event Impact: The Electricity (Information Disclosure) Regulations 1994/1999 may have impacted on annual report disclosures.

Event 5: Electricity Reform Act 1998

By mid-1998 as a result of the rationalisation process, there were 37 electric power companies compared to 61 electric power boards and municipal electricity departments before corporatisation. The Government continued to be concerned with the ability of integrated electricity companies to cross-subsidise business activities and in 1998 the Electricity Reform Act was passed. This required ESAs to split their line and retail businesses into two corporate bodies each with its own management and board of directors. As a result of this Act the electricity industry was divided into three distinct parts:

- Transmission of high voltage electricity to local low voltage networks which is the responsibility of the state-owned entity, Transpower;
- Distribution (network/lines) companies which distribute local low voltage electricity to end use customers. These companies charge retail businesses for the service of delivering electricity from the point of purchase to end-use customers;
- Retail/generation businesses which generate or purchase electricity and sell it to the New Zealand Electricity Market or end users. Retail/generation businesses may not own or operate networks that distribute electricity to the end user.

The announcement of the split-up of integrated electricity companies was followed by a period of intense activity in the industry. The majority of electricity companies, including Power New Zealand Ltd (formerly Waitemata Electric Power Board), decided to retain their network business and to sell their retail business. In some cases contra deals were struck, where one company sold its retail business to another, while acquiring the lines network of the other party. Power New Zealand Ltd purchased the lines networks of two other large network companies, TransAlta and Trustpower, and sold its retail business to TransAlta. Power New Zealand became a distribution (lines) company and was no longer an electricity retailer. The company name became UnitedNetworks Ltd, the third name change since 1991.

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stems from the premise that the value of an asset to an entity is the amount that the entity would lose if deprived of that asset. It was introduced to ensure a standard method of valuation for network assets.

Event Impact: The Electricity Reform Act 1998 may have influenced annual reporting.

Event 6: Ministerial Inquiry 2000

The purpose of the inquiry was to examine whether the current regulatory regime met the Government's objective of "ensuring that electricity is delivered in an efficient, reliable and environmentally sustainable manner to all customers" (Ministerial Inquiry, 2000, p.175). The objective in relation to the distribution (lines) sector was "to design a regulatory regime that puts pressure on cost structures and prices" (p.175). A key issue for the inquiry was whether the lines companies should be further regulated. It was perceived that the current light-handed regime "lacked credibility in the eyes of the market and many customers" (Ministerial Inquiry, 2000, p.25). In spite of the information disclosure regime, which was put in place in 1994, the availability of comparative information was poor. The lines companies were considered to be monopolies as consumers in a given location were unable to choose an alternative company to transmit electricity to their premises. Their monopoly nature meant there were few incentives on those companies to minimise costs and less constraint on the level of profits they earned compared to companies operating in a competitive market (Ministerial Inquiry, 2000).

Event Impact: Annual report disclosures may have increased in order to make the company appear already highly accountable and therefore not in need of further regulatory control.

Figure 1 illustrates the timing of these significant events and the timing of changes in the name of the entity being studied.

Figure 1

Timeline of Events

Event		Entity name
Electricity Supply Authorities required to pay Income Tax	1987	Waitemata Electric Power Board
Elected governance boards replaced by Government appointed Directors	1990	Waitemata Electricity Ltd
Energy Cos. Act 1992 requires electricity entities to be corporatised	1992	Waitemata Electricity Ltd
Information Disclosure Regulations	1994	Power New Zealand Ltd
Electricity Reform Act 1998 requires ESAs to divest their lines or retail/generation business	1998	Power New Zealand Ltd
Ministerial Inquiry	2000	United Networks Ltd

CHANGES IN ANNUAL REPORTING

This section covers two distinct periods. The first period, 1970-1987 is prior to the commencement of the reform of the electricity industry. This is essentially a "non-event" period. The second period, 1988-2001 is split into three, three-year periods and two four year periods in order to consolidate the analysis. This is the period in which the significant events occurred and is referred to as the "event" period.

Non-event period

1970-1987

From 1970 to 1987, the environment in which the Waitemata Electric Power Board operated changed very little. The organisational structure remained the same as did ownership and control. Annual reporting disclosures were very detailed and the format of the report remained essentially the same throughout this period. Table 1 summarizes the changes made over the period and indicates the factors that influenced the changes. No changes were made in 1970-1974 or in the other years not included in the table.

Table 1

Summary of changes in annual reporting 1970-1987

1975	1977	1984	1986
Change factor: GAAP **Addition:** Statement of Source & Disposition of Funds	***Change factor: Electric Power Boards Accounting Regs 1977*** **Additions:** Statement of Accounting Policies **Deletions:** Operating cost details Schedule of Sinking Funds Schedule of Depreciation	***Change factor: Technology*** **Additions:** Colour photos Graphs	***Change factor: Treasurer*** **Additions:** Notes to the financial statements Fixed asset detail in notes not in Balance Sheet Movement in reserves recorded in notes to accounts not as ledger accounts

A Statement of Source and Disposition of Funds was introduced in 1975. This was later replaced by a Statement of Cash Flows as required by Generally Accepted Accounting Practice (GAAP). The Electric Power Boards Accounting Regulations 1977 resulted in the inclusion of a Statement of Accounting Policies in the annual reports. It also resulted in a loss of information, particularly details of operating costs, with $1.8m being classified as miscellaneous costs in 1978. Detailed schedules for Sinking Funds and for Depreciation were not required by the new regulations, so were eliminated. The appearance of the report changed significantly in 1984 with the introduction of coloured photos and a number of graphs. It is thought that this was due to the use of new printing technology rather than to any environmental changes.

Notes to the financial statements began in 1986 and the details of movements in each reserve were included as part of the notes rather than as separate ledger accounts in the report (see Appendix 1). Fixed asset details were also included as notes rather than on the face of the Balance Sheet. This is thought to have been the influence of a new Treasurer.

In summary, no changes in accounting policies were identified in the 1970-1987 period. However, legislative requirements gave rise to a Statement of Accounting Policies and two detailed schedules, Sinking Funds and Depreciation, were removed in 1977. There was a change in the presentation of information in 1986 but no loss of detail. Essentially the contextual environment remained the same, as did accounting practice and reporting.

Event Period

1988-1990

Events 1 and 2: Taxation and Government-appointed directors

Significant environmental changes began in 1987 and the annual reports for years ended 1988 and 1989 reflected the determination by Government that ESAs become liable for taxation from 1 April 1987. The following changes in accounting policy were reported:

- Maintenance costs on transformers were expensed when they were previously capitalised.
- Cost of installing and dismantling temporary builders' supply services and the related fee charged by Waitemata Electric Power Board were recorded separately in the Profit and Loss Statement. Previously the net amount was capitalised.
- Engineering Overheads, and Maintenance and Operations were recorded as separate items in the Profit and Loss Statement rather than as General Operating Expenses.
- Indirect wages were recorded as Administration Expenses. They were previously capitalised.
- Interest on reserves and on sinking funds was recognised on an accrual basis in the Profit and Loss Statement. It was previously recognised on a cash basis and credited to Reserves.

On the whole, these changes involved the expensing rather than capitalising of expenses presumably with the aim of reducing taxable profits. Their effect was to reduce net profit before tax by $867,000.

By the end of the 1990 financial year, the organisation's name had changed to Waitemata Electricity and a start had been made on making the changes requested by Government to become "more commercial" (Chairman's Report, p.1). The 1990 annual report had an entirely new format and was structured in two sections: Review of Operations and Financial Review rather than a series of pages covering individual topics. The comparison is shown in Table 2.

Table 2: Comparison of 1989 and 1990 annual reports

1989	1990
-----	Chief Executive Review
Finance - Power Fund (1 page)	
Electricity Sales: Table showing 7 yr comparison of household electricity usage, annual cost, CPI, cost in real terms	Electricity Sales: Comparative table.
Bulk Power (1 page)	Supply System (1 paragraph)
Operating Costs (1 page)	-----
Capital Development Finance: Table includes 3yr comparison of funding for capital expenditure	Capital Works (1 paragraph). No table.
Loan Liability & Consumer Equity: Table includes 4 year comparison of loans raised, repaid, sinking fund usage	-----
Customer Care (1 page)	Customer Care (1 paragraph)
Planning and Design (1 page)	-----
Engineering Services (2 pages)	Engineering Developments (3 paragraphs)
Pole Factory (1 page)	-----
Transport and Mechanical (1 page)	-----
Corporate Services: Advisory, Info Systems, Personnel, Safety, Training & Development, Welfare, Staff	Health and Welfare, Training and Development, Information Services
National Scene (1 page)	-----
Local Scene (1 page)	-----
-------	Statement of Service Performance: customer indicators (3), financial indictors (7), efficiency indicators (8), safety indicators (2)
------	Deferred Tax Policy
------	Accounting Policy for capital contributions: to capital account as part of corporate ownership

The main change in this period was the loss of trend information regarding financing of capital expenditure and movement in loans. Thomson (1993) noted that privatised UK companies no longer gave detailed breakdowns of costs. This information also disappeared from Waitemata Electricity's annual report. However, the new Statement of Service Performance added a number of useful comparative performance indicators (3 years) plus targets for the following year. Such information is normally provided by public companies and reflects the changing status of the ESA.

1991-1993

Event 3: Energy Companies Act 1992 requires electricity entities to be corporatised

Annual reporting for the 1991 financial year probably reflected the appointment of a new Chairman and four government-appointed directors. The Chairman, in his review, stated: "In the past the industry has commercially under-performed, relative to its potential to produce a profit ... the guiding objectives of the organisation have changed ... implementation of cost controls and reviews to meet these changes was begun in the 1991 financial year". (Annual Report 1991, p.3). The scene was firmly being set for a commercial focus for the entity and in a subtle way, the new glossy annual report with colour photos also signalled this new approach. There appeared to be a move to eliminate commercially sensitive information from the report. The Generation Account, and the Sales and Service Account which provided specific information on generation activities and performance of the entity's retail Appliance Centres, were deleted. In addition, the detailed Summary of Information (Appendix 2) was no longer included. However, there was a notable increase in the information provided in the Financial Review including a section on Marketing which detailed growth in customer numbers, pricing issues and customer service. There was improved information about loans which were split in terms of repayment dates, and weighted average interest rates were given. This was the first year when the Distribution System was reported with a separate value and not included with Plant and Equipment. During this year a large number of graphs were introduced for the first time: average interruptions to customers, total unscheduled interruptions, domestic customer average annual bill, customers per employee, distribution and operating cost per kWh sold/per customer, plus 11 other graphs.

The 1991 annual report had the appearance of a marketing document and the emphasis on customer service, growing customer numbers, pricing policies, financial growth and opportunities, reflected this.

Over the next 10 years, the annual report became increasingly glamorous. In 1992 it included nine full page photos and, in line with the commercial emphasis, a Statement of Future Vision. However, the graphs which were first included in 1991 were excluded from the 1992 report. The report was written in a climate of preparation for the impending deregulation of the electricity supply industry. The key change was in the language used and terms such as commercial focus, commercial performance, competitive business, cost management initiatives, commercial approach, and commercial management expertise appeared in the annual report for the first time. These reflected the objective stated in the Chairman's Review: "…to conduct a successful business. This objective differs from the previous goal of delivering an acceptable monopoly service at reasonable cost" (Annual Report, 1992, p.3).

Thomson (1993) posits that managers might have an incentive to get rid of "bad news" immediately before privatisation to ensure higher profits and growth from a low profit base. There was some evidence of getting rid of bad news in the 1992 annual report of Waitemata Electricity. The Chairman stated that "Waitemata Electricity chose to bite the bullet during the 1991/92 year and 'clean out the Auguean stables' in compiling its annual accounts" (Annual Report 1992, p.3). In other words, the company took what is commonly referred to as a "big bath" (see Walsh, Craig and Clarke, 1991) with the possible intention of being able to report higher profits the following year which would be credited to the ability of the new management team. The company reported a loss (the only one in the life of the entity) as a result of bad debt write-offs ($1.4m), debt restructuring ($2m) and the accrual of expenses. Provisions enabled future costs to be charged to the 1991/92 income. It is possible that management compensation was tied to accounting income, in which case there would have been incentives to support accounting policies that resulted in higher reported income (Watts and Zimmerman, 1986). Healy (1985) suggested that such opportunistic behaviour is likely to be manifested in discretionary accruals such as those used by Waitemata Electricity.

The new organisational structure had three separate business units (network, energy, contracting) and the annual report included a report from the manager of each of these units. The process of commercialising and corporatising the entity resulted in a new group of expenses: strategic repositioning costs, staff restructuring costs, and severance payments. In the 1992 financial year these totalled $5.8m. Twenty per cent of the staff were reported to be on individual employment contracts with performance based remuneration as the fundamental principle. There was a corresponding shift away from service-based remuneration. The interest rate for each loan was no longer given but was reported as an aggregate figure of 5.75-15%. The large number of reserves: loan redemption reserve, capital reserve, property extension reserve, general reserve, insurance reserve, underground conversion reserve, office equipment reserve, tariff reserve, were eliminated by transfer to a sinking fund or to retained earnings. Capital contributions received from customers[5] were no longer transferred to a capital reserve but were classified as income and there was a resulting prior period adjustment to retained earnings of $16.4m. The Statement of Service Performance was replaced by two schedules: Performance Indicators, and Statistics. The purpose of this change was to “address only those results which the organisation has an ability to influence” (Annual Report, 1992, p.31).

Environmental changes imposed by the Energy Companies Act 1992 have strongly influenced the structure and disclosures in the 1992 annual report, particularly the elimination of the various special purpose reserves and the “big bath” effect on profits as the company was privatised and moved towards corporatisation.

The new commercial focus was again evident in the narrative style of the 1993 report: “Waitemata Electricity set out to make itself the ‘supplier of choice’ for customers....The intention is to build a business that will be an attractive investment opportunity” (Chief Executive Report, p.6). For the first time “Sales and marketing costs” appeared in the list of expenses and there was an extraordinary item for energy sector reform expenses ($1.5m). The previous engineering focus appeared to be replaced by a marketing focus as exemplified in the establishment of a marketing section in the organisation.

[5] Capital contributions are the amounts received from developers of a subdivision towards the cost of reticulation.

Thomson (1993) noted that two years after privatisation of the UK electricity supply industry all disclosure of performance indicators was lost. Separate tables of statistical information disappeared and where such information was disclosed it was scattered throughout narrative sections of the report. In the case of Waitemata Electricity, by 1993 there was a significant loss of information about performance indicators as the statistical information was no longer included. Previously annual reports provided the actual results for the previous financial year, and the actual and target results for the current year (Appendix 3). It is likely that this information was now considered to be commercially sensitive.

1994-1997

Events 3 and 4: Corporatisation and Information Disclosure Regulations

Rationalisation of the industry began in 1993-94 and a number of mergers took place. Waitemata Electricity announced a planned merger with Valley Power and the 1994 annual report included financial statements for both entities. The annual report reflected some strategic changes, for example, the valuation of the Waitemata Electricity network changed from historical cost to modified historical cost resulting in a revaluation reserve of $72m and the appliance shops were closed as the company was no longer interested in retailing electrical appliances. The upward revaluation of the network assets was the start of a pattern of increasing asset values.

Trends statements, graphs and performance indicators were omitted entirely from the 1994 report. The Notes to the Financial Statements reported “Due to the degree of uncertainty surrounding the proposed reforms to the electricity supply and distribution industry, the directors considered it would be prejudicial to the Board’s business interests to disclose all the information required by regulation 3 of the Electricity Power Board Regulations 1977” (Annual Report, 1994, p.33). The outcomes of the Energy Companies Act 1992 and the Electricity Act 1992 continued to make an impression on the annual reporting, particularly valuation of assets and reporting of statistical information.

By the end of the 1995 financial year, Waitemata Electricity and Valley Power became Power New Zealand Ltd. Shares were issued and the annual report and consolidated financial statements were prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 rather than the Electric Power Board Accounting Regulations 1977 and the Electricity Supply Authorities Association of NZ Code of Accounting Practice. The Statement of Financial Position reported Issued and Paid up Capital and there was a Share Premium Reserve. Two new wholly-owned subsidiaries appeared in the accounts. These were Investment companies. In addition the company held $21m of listed shares in another electricity company and Goodwill on consolidation was reported. Graphs were reintroduced (previously used in 1991) to demonstrate financial performance: operating surplus, earnings per share, dividend cents per share, customers per employee, and customer minutes lost. An item of $4m for "takeover response expenses" in the notes to the Profit and Loss Statement was indicative of the competitive environment for Power New Zealand shares as rival company, Mercury Energy, sought to obtain control of the company. A table that compared forecast and actual information for the current year in the format of a Statement of Financial Performance and a Statement of Financial Position was introduced for the first time in 1995. There was also a separate statement of Results in Brief which included two financial performance measures. In addition a 1989 v 1995 (1996) comparison was made between performance before industry reforms began and performance in the current year. This consisted mainly of comparative customer numbers and electricity prices for power sold. Presumably the intention of this latter table was to highlight the success of the new management team. The focus was to make a commercial rate of return on investment: "In a deregulated environment, Power New Zealand's performance is delivering benefits to all the company's stakeholders" (Chairman's Report, p.3).

It is possible that the 1995 reporting of target and actual information was an effort to include some of the information required by the Ministry of Economic Development (MED) for monitoring purposes. However the requirements, under the Electricity (Information) Disclosure Regulations 1994, to separately report retail and distribution activities and five specific performance measurements had not made their way into the annual report.

Significantly, in 1996 there was a loss of information in respect of Cost of Electricity Sold and Gross Margin which probably reflected the commercial sensitivity of this information as the environment became more competitive. This supports the findings of Thomson (1993) and Clinch and Verrecchia (1997). The format for reporting of Performance Indicators continued to change annually, and as Thomson (1993) found in her UK study, the statistical information was scattered throughout the annual report.

It was not until 1997 that the impact of the Electricity (Information Disclosure) Regulations 1994 became evident in Power New Zealand's annual report. In the 1997 report, the network assets were revalued using Optimised Deprival Value Methodology (ODV) and this resulted in an increase of $239m. This rise in book value was not due to an increase in the level of investment in the network during the 1990s as expenditure was mostly confined to routine maintenance. The existing asset value was written up using the new valuation methodology.[6] Once the company adopted ODV valuations in their accounts they were able to justify increased electricity prices on the basis of these much higher valuations (Bertram and Terry, 2000).

[6] ODV was adopted by the Government for the purposes of performance comparison, not for the purpose of pricing.

The reporting of actual versus target information for the current year ceased in 1997. This may be because the company considered that regulatory disclosure of this information to the MED was sufficient. For the first time the reporting of Financial Instruments included Electricity Hedge Contracts ($288m). The use of hedges was an attempt by the group to limit its exposure to spot price movements by purchasing hedge instruments against future spot prices.

1998-2001

Events 5 and 6: Electricity Reform Act 1998 and Ministerial Inquiry 2000

In 1998 a new CEO was appointed by the majority shareholder (Utilicorp) and the company was restructured resulting in severance and redundancy expenses. The increasingly competitive environment was reflected in the statement “Power New Zealand has been successful in securing more customer sites on other power companies’ networks than any other electricity retailer” (Chairman and CEO Report, 1998, p.9). The drive for maximisation of profits increased and the main objective was stated as “Improving shareholder value” (p.7). The share premium reserve disappeared. It was not possible to tell where this went to but it probably boosted income. Depreciation of the revalued network was now stated as 15-60 years (rather than the previous 4% (25 years)) which effectively reduced the depreciation charge against income. Tax effect accounting changed from the deferral method to the partial method which increased surplus by $11.3m with an expected increase in revenue of $3m per annum. The amount of long term debt increased considerably from $3m in 1996 to $107m in 1998. This again reflected the changed environment in which the entity operated as borrowing increased to finance the purchase of other electricity companies. The company began to actively manage interest rate exposure using interest rate swaps, forward rate agreements, options and similar derivative instruments.

In 1999 there was an upmarket new look annual report for “New Zealand’s largest electricity lines company” (Annual Report, 1999, p.3). The requirements of the Electricity Reform Act 1998 for electricity companies to sell either their retail or their network business resulted in a new round of sales and acquisitions. Power New Zealand sold its retail and generation businesses and acquired the networks of TrustPower Ltd and of TransAlta Ltd. This resulted in the reporting of an asset labelled as “Identifiable Intangibles” which was effectively the “overpayment” for the acquisition of reticulation assets $534m. The company’s name changed to UnitedNetworks following the sale of its retail business and related assets, and the name Power New Zealand. The acquisitions resulted in a $1 billion increase in loans to finance them. The annual report emphasised network reliability and there was a statement on the environmental impacts of the distribution of electricity. The strategic objectives continued to focus on the commercially competitive environment and the company reported “achieving the lowest operating cost per customer in New Zealand” (Annual Report, 1999, p. 17).

By 2000 the company, now named UnitedNetworks Ltd, owned three regional networks throughout the North Island of New Zealand. The network assets were revalued downwards by $27m and it is possible that this reflected a response to concerns about the Ministerial Inquiry which was considering over-valuation of network assets. The annual report for 2001 was much the same. The performance indicators and the graphs were all in one section and there was a section outlining the Vision, Mission and Company values as the company sought to rebuild the corporate team after the upheavals of the 1998 reforms. The need for external financing continued and borrowings included commercial paper and medium term notes (both fixed and floating rate) – a far cry from the Government-guaranteed loans prior to 1990.

The description of significant events and the analysis of annual reports over the event period has identified factors in the environment that have the ability to induce accounting reporting and change. These events and their impacts are summarised in Table 3.

Table 3
Summary of changes in annual reporting 1988-2000

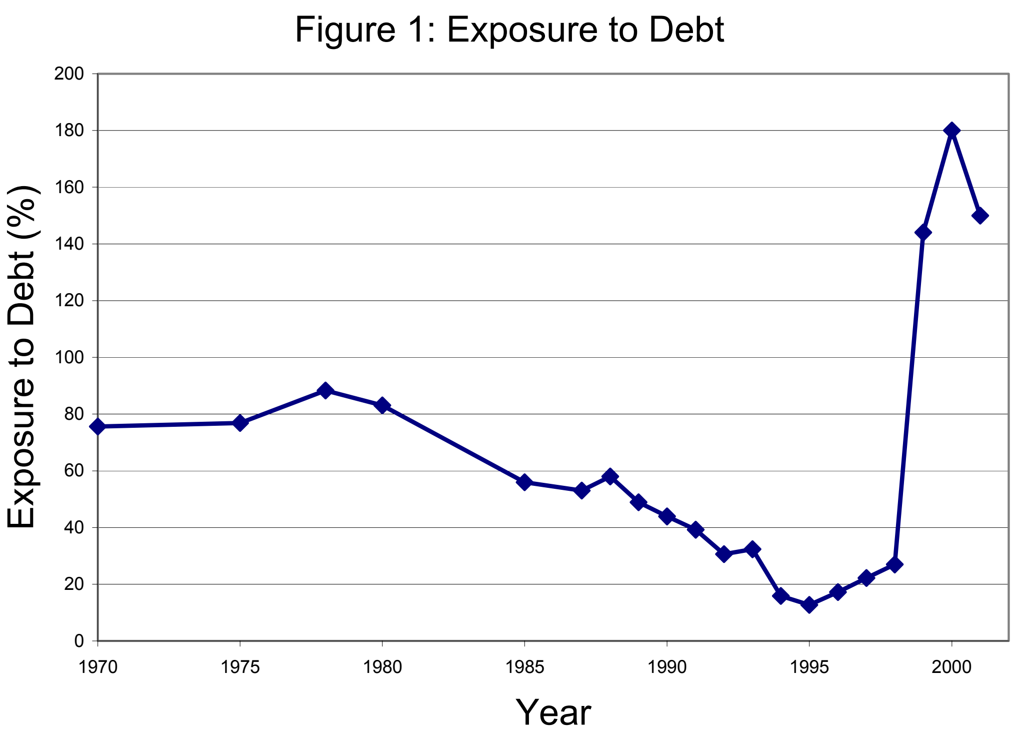
1988	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Event: Taxable profits Capitalised items expensed	***Event: Govt appointed Directors*** Name change **Deletions:** Operating Costs Capital Expenditure (3yrs) Loans (3yrs) Pole Factory Bulk Power Plan & Design Finance: Power fund **Additions:** Statement of Service Performance	**Deletions:** Generation Account Sales and Service A/c Summary of Information **Additions:** Distribution System value Graphs	***Event: Corporatisation*** **Accounting changes:** Big Bath Elimination of 8 reserves Capital contributions to income rather than capital **Other:** 9 full page photos Vision Statement No graphs Commercial language	**Deletions:** Statistical information **Additions:** Marketing costs Energy sector reform costs	***Event: Information Disclosure Regulations*** **Deletions:** Trends Performance Indicators Graphs **Other:** Network revalued	Name change **Additions:** Shares issued Graphs Results in brief 1989v1995 Performance Indicators Target v actual	**Deletions:** Cost of electricity and Gross Margin	Network to ODV **Deletions:** Target v actual **Additions:** Electricity hedge contracts	***Event: Electricity Reform Act*** **Changes:** Longer network life (less depreciation) Partial method for deferred tax Long Term debt increase $104m since 1996 Derivative Instruments	Name change **Additions:** Identifiable Intangible Assets $534m $1 billion increase in loans Environmental impacts	***Event: Ministerial Inquiry*** Downward valuation of network Performance Indicators and graphs in one section

PERFORMANCE ANALYSIS

It appears that the identified significant events in the life of Waitemata Electric Power Board/Waitemata Electricity/Power New Zealand Ltd/United Networks Ltd have impacted on both accounting policies and annual reporting. It is expected that key performance indicators will also reflect those events. This section includes graphs which demonstrate the trends in performance indicators over the period of the study. Each of the six significant events identified as possible instigators of accounting and reporting change are plotted in the relevant time space on each graph.

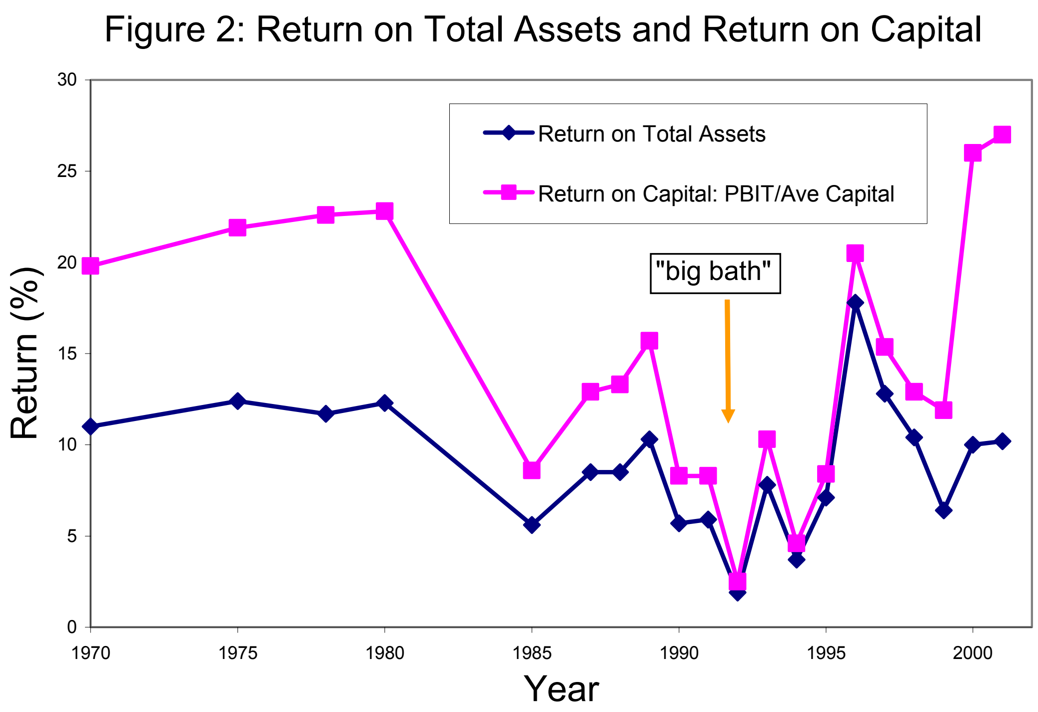
The non-event period covers 1970 to 1987. Performance indicators have been graphed for six selected years of this period to provide a summary of performance over the 17 years. Each of the 13 years of the event period is shown on the graphs.

Exposure to Debt (Total debt/Total equity)



The 1970 annual report noted the difficulty in obtaining development capital due to the Government having reduced interest rates on short term debt. Total debt was $6.6m compared to 1.4 billion in 2001. The increase in the debt/equity ratio reflected a comment made in 1995 by the CEO of Waitemata Electricity, "The company does have an inefficient balance sheet. If suitable investment opportunities are not available we will have to think of other ways of dealing with that inefficient balance sheet" (15 June, 1995, NZ Herald, p.D2) This implies that the corporatisation process would lead to an increase in debt. Although this is not initially evident, due to the upward revaluation of assets increasing equity, it can be seen quite spectacularly in 1999 when debt increased 475% from the previous year as the company took advantage of changes imposed by the Electricity Reform Act 1998 and acquired other network companies.

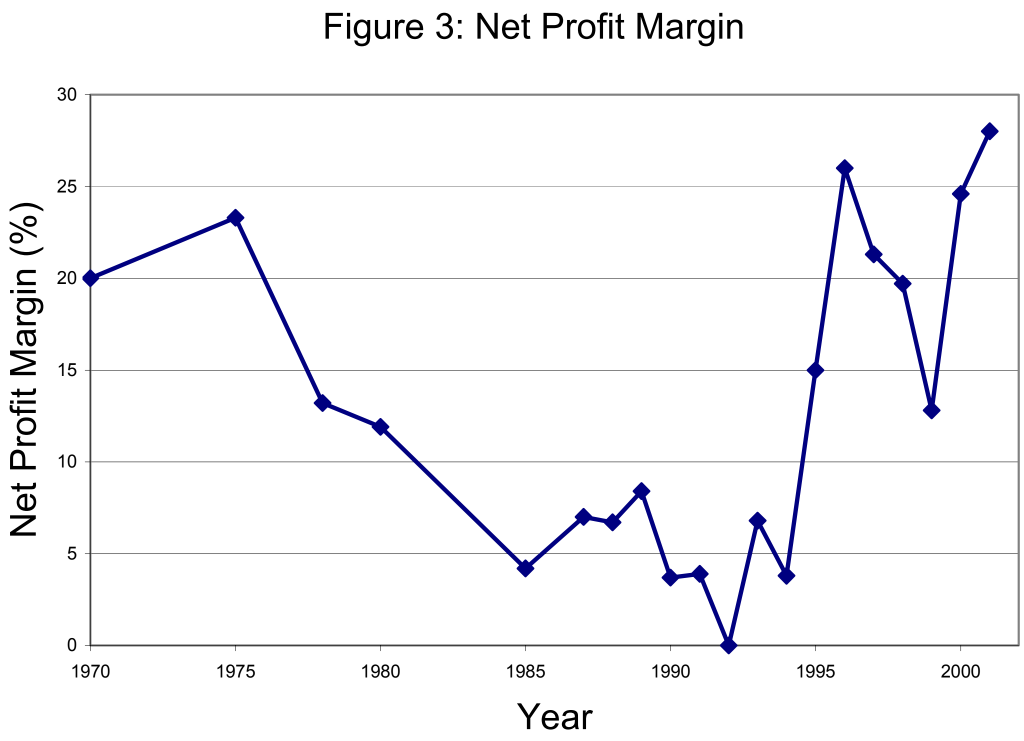
Return on Total Assets and Return on Capital



This percentage has been calculated using profit before interest and tax (PBIT). The rate of return was relatively constant throughout the 1970-1980 period but decreased between 1980 and 1985 due to the increased cost of electricity, an 82% increase in interest costs, 71% increase in maintenance costs, and an 86% increase in depreciation cost. The ratio was further affected by a 60% increase in fixed assets and a 98% increase in capital reserves. The drop in 1992 reflected the “big bath” taken by the company in that year. In 1994, network assets were revalued upwards by $72m. The effect of the asset revaluations had some significant ramifications. Except for years when restructuring costs were incurred, the net profit for the company showed an increase from year to year. However the revaluation of assets made the return on assets employed diminish significantly. As the assets were the same ones at the beginning and end of the year, with the same economic life and in the same physical condition, the scene was set in 1994 to meet a required return on the increased asset values by increasing electricity prices. This was particularly the case once ODV methodology was used to increase the book value of network assets. From 1996 to 1999 average total assets increased by over 200% influencing a decrease in return over that period of 64%. This was due to the revaluing of distribution assets to ODV and to the purchase of $1,898m of additional networks.

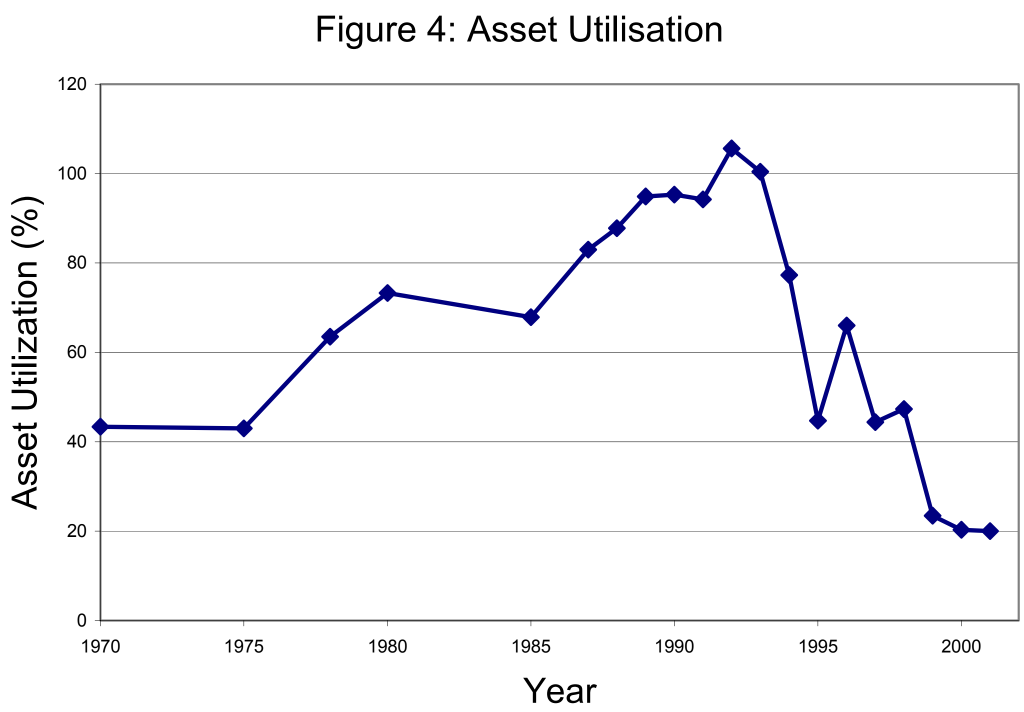
In 1996, PBIT increased by 163% from a gain on sale of the investment in another electricity company.

Net Profit Margin (Net profit before tax/Total income)



Net profit margin trended downward from 1975 to 1985 largely due to the increasing cost of electricity which, in line with the philosophy of the time, was not passed on to customers. In 1992 net profit before tax was $69,000 compared to $5.7m in 1991 and $10.9m in 1993. This reflected the "big bath accounting" in the 1992 financial year. From 1988 to 1994 net profit before tax was, on average, $7m. In 1995 net profit increased to $30m and by 2001 it was $129m. This was the result of the capital market driven policy to maximise profits which influenced a number of factors, including changes in accounting policies. Over this period the partial basis of accounting for deferred taxation was adopted, customer contributions to capital projects were credited to income rather than to capital, and depreciation rates were reduced. Cost reductions and increasing electricity prices have also had an effect. The average net profit margin for the seven year period 1988-1994 was 4.8%. Over the next seven years the average was 21% and total income increased by 127%. However, there was a substantial downturn in profit in 1999 which reflected the upheaval from the Electricity Reform Act of 1998. Once the company shed its retail business and became only a lines network company (1999-2000 financial year), profits increased by 97% from the previous year. As a publicly-owned company, the organisation experienced pressure, particularly from their cornerstone shareholder, Utilicorp, to earn higher profits. This increased their incentive to reduce costs and to increase prices.

Asset Utilisation (Total Income/Total Assets)



Asset utilisation from 1988-1994 was reasonably stable (on average 93.4%) and then decreased dramatically for the following years. Corporatisation was completed in 1995 and the consolidated accounts included the assets of another electricity company (Valley Power). The increasing asset base from the purchase of other networks and from revaluations reduced this performance measure from 105.6% in 1992 to 20% in 2001. Since corporatisation, this percentage has consistently been at least 50% below what it was before that event.

SUMMARY AND CONCLUSION

Burchell et al. (1985) noted that little is known of how accounting reacts to changes in society. This study of Waitemata Electric Power Board/Waitemata Electricity/Power New Zealand Ltd/UnitedNetworks Ltd was designed to illustrate how events external to an enterprise can influence accounting and reporting practices. These events directed the choice of period of study which covered the period of non-events, 1970 to 1987, and the period of environmental change, 1988 to 2001.

The study found that the routine reporting of the non-event period was replaced by what appeared to be an "environmentally-responsive" approach (Gray and Haslam, 1990, p.55). During the period of significant events, 1988 to 1994, the culture of the board changed from an engineering focus of providing an acceptable service at reasonable cost, to a business focus aimed at making as much profit as possible from the sale of electricity. This behaviour modelled that of a public company rather than a local body entity providing an essential service. Legislation created this change as the Government replaced Power Board management with commercially-oriented directors. The resulting new structure was a consequence of the organisation's expansive business focus, a path paved by the Electricity Companies Act 1992.

The study found considerable evidence that a change from a local body, accountable to electors/consumers to a public company accountable to shareholders, led to a greater emphasis on profits and earnings per share as indicators of performance. It also led to the choice of profit-maximising accounting policies such as longer asset lives to reduce depreciation charges, classifying capital contributions from customers as income rather than capital, using the partial method of accounting for deferred taxation, and treating an "overpayment" for a business as an Identifiable Intangible to allow a longer amortisation period than if it was treated as Goodwill. In addition to these profit-maximising strategies, a "big bath" period was identified prior to privatisation when management saw advantages from writing off additional bad debts, accruing expenses and creating provisions in order to provide a low base from which later performance would be measured.

The electricity lines network business is capital intensive and the treatment of network assets can have a significant impact on profits and on the rate of return. This was reflected in the depreciation change (1988: 25 years, 2001: 15-70 years) and in the revaluation of those assets. ODV valuation methodology was instituted by the Government as a means of comparing the performance of the electricity lines companies. Investors, such as the cornerstone shareholder, Utilicorp, had paid for shares based on a price that reflected a return on the historical cost of the assets. Once the ODV valuation was recorded in the company accounts, the company was effectively able to earn a return on capital that it did not actually invest in the business, thus effectively transferring wealth from consumers to shareholders (in the form of higher electricity prices).

Verrecchia (1983, 1990) and Clinch and Verrecchia (1997) noted that increasing competition might lead to reduced amounts of information if the organisation fears a loss of competitive advantage. As the environment in which Waitemata Electric Power Board/Waitemata Electricity/Power New Zealand/UnitedNetworks operated became more competitive, key disclosures such as Cost of Electricity, Gross Margin, Capital expenditure summaries, details of operating costs, and Target versus Actual information, were omitted. On the other hand, the annual report became a marketing document for the company with glossy presentation and lots of hype, colour and pictures.

The identified changes were also reflected in the performance indicator analysis which showed relatively stable trends from 1970 to 1987 and a marked increase in exposure to debt and a decrease in working capital in 1999 following the Electricity Reform Act 1998. Profitability increased following this event, as did borrowing and the use of a variety of financial instruments. A drop in asset utilisation reflected the upward revaluation of the network and the zero return on capital in 1992 related to the "big bath" instigated by the new commercially-oriented directors.

The study found evidence to support the notion of a change in accounting and annual reporting being linked, in some way, to significant environmental events. However, the relationship is a complex one as organisational processess and behaviours also have an influence. The study supports Bhimani (1993) who acknowledged that accounting change is partly due to managers exercising choices, but concluded that the basis of that choice was influenced by a wide array of environmental factors within a sociohistorical context. The study provides some understanding of influences on environmental reporting and a possible explanation for contemporary and historical accounting practice.

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Appendix 1: An example of disclosure of information about reserves as separate ledger accounts in the annual report

Waitemata Electric Power Board

GENERAL RESERVE FUND

INCOME & EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1970

	$ c		$ c
Transfer to Nett Revenue	50,000.00	Income from Investments	5,438.13
		Transfer from General Reserve Fund	44,561.87
	$50,000.00		$50,000.00

Balance Sheet
AS AT 31st MARCH 1970

	$ c	$ c		$ c	$ c
General Reserve Fund:			**Investments:**		
Balance at 1st April 1969	203,985.85		Central Waikato Electric Power Board Stock	10,000.00	
Less Expenditure for Year	44,561.87		Waitemata County Council Stock	1,000.00	
Balance at 31st March 1970		159,423.98			11,000.00
			Cash:		
			Bank of New Zealand	60,031.85	
			National Provident Fund	88,392.13	
					148,423.98
		$159,423.98			$159,423.98

Waitemata Electric Power Board

INSURANCE RESERVE FUND

INCOME & EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1970

	$ c		$ c
Claims	336.00	Interest on Investments	1,445.02
Balance – Transfer to Insurance Reserve Fund	1,109.02		
	$1,445.02		$1,445.02

Balance Sheet
AS AT 31st MARCH 1970

	$ c	$ c		$ c	$ c
Insurance Reserve Fund:			**Investments at Cost:**		
Balance at 1st April 1969	34,306.04		Auckland Electric Power Board Stock		10,000.00
Nett Income for Year	1,109.02				
Balance at 31st March 1970		35,415.06	**Cash:**		
			Bank of New Zealand	1.21	
			National Provident Fund	25,413.85	
					25,415.06
		$35,415.06			$35,415.06

Waitemata Electric Power Board

SUMMARY OF INFORMATION AS AT 31ST MARCH 1975

1.	Board commenced on 18th December 1924			
2.	Supply from Horahora commenced in December 1926.			
3.	Loan Capital:	**Year ended 31.3.75**	**Year ended 31.3.74**	**Year ended 31.3.73**
	Loans Raised	$22,677,700	$21,077,700	$18,877,700
	Less no Uplifted	$199,560	$251,850	-
		$22,478,140	$20,825,850	$18,877,700
	Loans Redeemed	$12,585,031	$11,438,134	$10,211,361
	Loan Debt	$9,893,109	$9,387,716	$8,666,339
4.	Total Capital Expenditure:	$25,028,981	$22,961,737	$21,005,222
5.	Cash Balances and Funds at Call:			
	Loan Account	$147,052	$305,221	$197,322
	Power Fund Account	Cr.293,172	Cr.123,761	409,216
	Insurance Reserve Fund	42,815	41,238	39,478
	General Reserve Fund	361,890	150,000	-
	Property Extension Reserve Fund	27,655	298,226	285,072
		$286,240	$670,924	$931,088
6.	Capital Reserves:			
	Capital Expenditure from Revenue	$3,980,833	$3,688,615	$3,523,718
	Principal Repayment of Loans (less amounts used to write off unproductive assets)	11,205,461	10,069,358	8,865,345
		$15,186,294	$13,757,973	$12,389,063
7.	Special Reserves:			
	Bad Debts	$21,500	$21,500	$21,500
	General	611,890	350,000	-
	Insurance	102,815	41,238	39,478
	Property Extension	27,655	337,219	285,072
		$763,860	$749,957	$346,050
8.	Revenue Account Receipts:			
	Sales of Electricity	$12,676,706	$11,818,253	$10,041,009
	Miscellaneous Revenue	165,935	91,661	76,262
	Trading Account Operations	10,533	4,781	945 Dr.
		$12,853,174	$11,914,695	$10,116,326
9.	Expenditure:			
	Power Purchased	$6,437,998	$6,561,902	$6,533,298
	Power Generated by Own Plant	20,050	8,773	10,087
	General Maintenance of Services, Management & General Expenses	3,357,374	2,616,322	2,198,758
	Reticulation Replacements	577,566	453,127	419,934
	Gratuities, Donations, Unauthorised Expenditure	22,951	18,845	18,736
	Loan Redemptions, Interest & Sinking Funds	1,870,490	1,763,627	1,496,235
		$12,286,429	$11,422,596	$10,677,048
10:	Surplus for Year:	$585,278	$492,099	-
11.	Deficiency for Year:	-	-	$560,932
12.	Revenue Contribution to Capital Outlay:	-	$170,007	-
13.	Appropriated from Special Reserves:	$323,472	-	-
14.	Appropriated to Special Reserves:	$310,000	$388,993	$282,867
15.	Nett Appropriation Account (Credit Balance):	$599,941	$324,663	$182,564
16.	Sales of Electricity:			
	Domestic	$7,553,919	$7,042,556	$6,113,263
	General Supply	4,899,176	4,557,533	3,633,652
	Street Lighting	223,611	218,164	212,555
		$12,676,706	$11,818,253	$9,959,470

17.	Maximum kW Demand on System:	193,389 kW		203,801 kW		213,827 kW
18.	Total Units Purchased & Generated (kWh):	801,920,652		771,096,652		748,066,652
		Year ended 31.3.75		**Year ended 31.3.74**		**Year ended 31.3.73**
19.	Total Units Sold (kWh):	756,613,605		720,791,569		694,789,985
	Depot Units	1,232,500		1,250,000		1,054,276
		757,846,105		722,041,569		695,844,261
20.	Average Cost per Unit Purchased and Generated:	.80532 cents		.85212 cents		.8747 cents
21.	Average Nett Price per Unit Sold:	1.67272 cents		1.63962 cents		1.44519 cents
22.	Annual Load Factor-Total Systems:	47.33%		43.19%		39.94%
23.	Route Kilometres of Distribution Lines:	7,502		7,416		7,295
24.	Route Kilometres Erected During Year:	86		121		89
25.	Number of Consumers:	94,514		89,354		85,767
	Number of Ranges:	75,277		69,675		65,498
	Number of Waterheaters:	78,946		73,654		68,965
26.	Average Units Sold per Consumer:	8,018		8,080		8,113
27.	Area of Supply (hectares):	289,268		289,268		289,268
28.	Population of Area:	270,000		253,930		238,360

STATEMENT OF SERVICE PERFORMANCE 1991

PERFORMANCE INDICATOR	Financial Year			Target for	Target for
	1988-89	1989-90	1990-91	1990-91	1991-92
CUSTOMER INDICATORS					
Sales Growth	12.67%	2.4%	3.4%	4.3%	4.5%
Customer Connections made	3708	3769	3885	3800	3800
Load Factor	52.72%	44.66%	49.56%	52.0%	52.0%
FINANCIAL INDICATORS					
Fixed Asset Turnover Ratio	1.49	1.45	1.41	1.33	1.40
Net Revenue per Circuit km	$14,519	$14,634	$14,863	$15,000	$15,000
Net Return after Tax on Average Assets	5.3%	2.4%	2.5%	3.0%	3.5%
Ratio of Average Working Capital to Total Income	8.5%	10.2%	7.8%	9.0%	9.0%
Total Debt to Equity	48.92%	44.28%	40.2%	45.0%	45.0%
EFFICIENCY INDICATORS					
Percentage Units Unaccounted For	6.2%	5.9%	6.4%	5.9%	5.9%
Customers per Employee	228	234	236	230	230
Customers per Circuit km	15.0	15.2	15.3	15.3	15.3
Stock Turnover	2.3	2.0	2.2	2.2	2.3
Average Collection Period	52 days	54 days	47 days	48 days	47 days
SAFETY INDICATORS					
Disabling Injury Frequency Rate	5.2	7.85	6.9	6.0	6.0
Working Days Lost per 100,000 hrs	33.4	41.9	34.5	39.0	35.0

The impact of events on annual reporting disclosures

Hooks, J. J.

2003